Published on *MPA News* (https://mpanews.openchannels.org)

The $400-Billion Potential for Private Investment in Conservation: With Investors Looking for Projects, What Can MPAs Do to Access the Funds?

In early 2016, a report by firms in the global financial sector estimated that conservation funding worldwide could be grown from its current level of US $52 billion to as much as $400 billion per year. How? Through private investment. If conservation projects could be made profitable — such as by generating revenue from ecotourism or by supporting sustainable resource extraction — nature protection would become attractive to investors. Investors would pay for protected areas, for example, and make their money back (with interest) on the tourism or other revenue-generating activities that occurred there.

To put the $400-billion figure in perspective for marine conservation: a 2004 study of MPA finance estimated a worldwide network of MPAs covering 30% of the ocean would cost just $14 billion annually in comparison. And the $400 billion figure might even be a conservative estimate. It assumes just 1% of all new and reinvested capital in global investment markets each year could be steered to conservation-based investment.

In fact, investors are already starting to explore the conservation sector for opportunities. MPA News' sister newsletter Marine Ecosystems and Management reported last year that investor capital is already plentiful for marine conservation but that there is a shortage of adequate projects to invest in. If managers can develop "investment-ready" projects, they could potentially attract significant funding.

So for MPA managers the challenge becomes: How can you make your site attractive to investors while still achieving your regular management goals? This month, MPA News asks financial experts what they look for in potential conservation projects, what it means for a project to be "investment-ready", and what steps these experts would advise MPA managers to take.

Fabian Huwyler, Credit Suisse: "My advice would be to get good advice"

Credit Suisse Group is a leading global financial services company based in Zurich, Switzerland. Fabian Huwyler is a Director with Credit Suisse's global sustainability group. He co-authored the 2016 report referenced above, estimating that global conservation funding could be increased to $400 billion annually. He also co-authored a similarly focused 2014 report, "Conservation Finance: Moving beyond donor funding toward an investor-driven approach".

MPA News: Your position is that conservation finance can be developed as an investment: in other words, the primary goal for investors will be to make money. How can this be balanced with the goal of conservation managers, which is to pursue conservation first?

Fabian Huwyler: Conservation finance can only be successful in the long run if financial and non-financial objectives are fully aligned. As a Harvard faculty once put it: "Conservation without finance is just conversation." On the other hand, finance without the intended conservation impact is a waste of valuable resources. While we have made some progress over the last few years, the finance and the environmental communities have some way to go to better embrace each other's priorities.

Credit Suisse's reports on conservation finance provide an attractive view of the potential for private investment. But working with the financial sector is likely foreign to most in the conservation sector. If the manager of a marine protected area came to you and said, "I'm very interested in the idea of raising money for my MPA through investment, but I have no idea how to get started," what would be your advice?

Huwyler: My advice would be to get good advice. The theory of comparative advantage is one of the most overlooked principles in conservation finance. There is already a good number of niche and mainstream finance players as well as consultants out there ready to help. And there are efforts underway, for example by the newly established Coalition for Private Investment in Conservation (CPIC), to translate rather technical financial language into simple investment blueprints. Two focus areas of the CPIC work will be sustainable fisheries and coastal resilience. [Editor's note: the CPIC is described below in this article.]

Credit Suisse's reports on conservation finance consider terrestrial and marine conservation together. From your understanding of marine vs. terrestrial conservation, is one better-suited to attracting investors?

Huwyler: While terrestrial investment opportunities are far more developed, I don't think there is a principle difference. From a monetary standpoint, the ocean's value is vast. And the investment thesis is simple: better-managed fisheries and coastal habitats are more profitable in the longer-term than poorly managed ones. However, to date, the ocean sector has been slow to attract investment owing to a number of interrelated challenges. These include a lack of knowledge regarding bankable opportunities, and few common legal frameworks and market structures across the ocean sector. However, we are seeing the first investment vehicles from entities — such as Althelia [described below in this article] — which are structured to meet these challenges and demonstrate a model for investment in a sustainable blue economy.

What has been the response so far to the Credit Suisse reports from the financial sector?

Huwyler: The response has been encouraging, in particular from the investors' side. The notion that nature, in some circumstances and with the right tools at hand, can pay for itself resonates broadly. However, experience to date with private finance in conservation suggests that, while there have been successes, overall investment volumes have been small, adequate returns have not always been achieved, and the knowledge required to build scalable investment products is dispersed. Therefore, a concerted, systematic effort focused on creating investment products that provide a conservation and financial bottom line is necessary.

Simon Dent of Althelia Ocean Fund: "There should be a well thought-out plan for the MPA to become financially self-sufficient over time"

Althelia Ecosphere is an international impact asset manager: it develops projects to generate positive environmental and social impacts while also being economically resilient. In partnership with Conservation International and the Environmental Defense Fund, Althelia developed the Sustainable Ocean Fund. This fund invests in marine and coastal enterprises that can deliver marine conservation, improved livelihoods, and attractive economic returns. The fund is investing in improvements to fisheries management and sustainable aquaculture, but is also targeting investments in MPAs. Simon Dent is New Ventures Director at Althelia.

MPA News: The Sustainable Ocean Fund is relatively new. Can you describe some of the projects in the fund's initial portfolio of target investments?

Simon Dent: An initial pipeline of target investments has been identified in Latin America, the Caribbean, and Asia. The projects range from supporting fishing communities in transitioning to sustainable and secure fishing practices; to low-impact aquaculture operations in Mexico and Colombia; to MPAs in the Caribbean, which will be supported by tourism fees and levies. We also have some interesting projects bringing investment into responsible and transparent seafood supply chains.

What do you see as the potential role of MPAs in the Sustainable Ocean Fund's portfolios?

Dent: We believe that MPAs can have an important role in conservation and in the recovery of ocean health, including fish stocks. Whilst a lot of excellent work has been done in this area and significant MPAs have been mandated recently, they are generally in more remote locations. Implementing MPAs in areas that are under direct threat from real-world pressures is important, as well as being more beneficial for conserving ecosystems and bolstering sustainable fish production and livelihoods for local communities. Here we believe that managed marine areas that can be supported by fee- or business-based models are crucial. We are excited to support these types of sustainable business models by providing finance to underpin the transition and to bring them to scale.

What advice would you have for MPA managers developing investment-ready projects for MPAs?

Dent: We believe that, particularly when focused on less remote sites, there should be an integrated approach. In other words, a managed marine area should cover as much potential activity, and thereby potential revenue, as possible: recovery of fish/species resources, fish production, community involvement and livelihoods, biodiversity conservation, eco-tourism, prevention of waste and land-based runoff into the area, etc. Other advice would include:

- Strong enforcement and policy is almost always key and should be the first building block for establishing an investment-ready managed marine area.
- Scale and size is important in achieving an integrated approach. Not only does a larger project cover a network of habitats and species, but it also supports a sustainable financial model that ensures the MPA is self-sufficient and has a long-term future.
- There should be a well thought-out plan for the area to become financially self-sufficient over time, and the project and environmental targets should be based on a clear scientific management approach.
- In most cases it is important to establish an independent operator that can manage the MPA on a day-to-day basis. This operator brings a private-sector management ethic, establishes effective monitoring and enforcement, and implements activities and a business model to support the managed area.
- It is equally important to ensure that all stakeholders have an active say in how the park operates and is set up, and should have an active participation in the economic and the environmental returns from implementing MPAs.

John Tobin, Coalition for Private Investment in Conservation: “We hope to be the glue between investors and projects”

The Coalition for Private Investment in Conservation (CPIC) was launched at the World Conservation Congress in September 2016. This alliance — which includes Credit Suisse, The Nature Conservancy, IUCN, and Cornell University as its founding partners — aims to develop new investment models and funding pipelines for conservation and sustainable development. It is focusing initially on five investment sectors: forest landscape restoration, sustainable agriculture intensification, watershed management, green infrastructure for coastal resilience, and sustainable coastal fisheries. John Tobin of Cornell University is one of the founders of CPIC and a member of its steering committee. (In his prior position at Credit Suisse, Tobin was co-author on the two reports on conservation finance mentioned previously in this article.)

MPA News: CPIC is a new initiative. What are the first steps for the coalition?

John Tobin: Since the launch last September, we’ve had two gatherings of the coalition partners — one in New York and one in Paris. Key initial issues involve establishing a secretariat, agreeing on the governance, and populating the working groups. These working groups have the crucial task of developing investment blueprints in each of the chosen sectors — basically a proposal for how to approach the challenge of unlocking cash flows in each of these areas. The idea is to make the blueprints available to entities or groups interested in investing in these sectors, and who can tailor them to their specific geographies and other conditions. In this way, we hope to facilitate the investment in conservation that is so badly needed.

We also feel there’s some important research to be done alongside the development of the blueprints. As I see it, one of the key questions relates to what extent does investment in the marine realm contribute to meeting overall conservation needs? And what is the potential for ocean-related investment? Sustainable fisheries is the archetypal sustainable finance transaction — the alignment there between conservation interests and economic interests is very clear — but what other areas of the blue economy are ripe for private investment?

Assuming MPAs could engage with private investment — such as via revenue from sustainable fisheries or ecotourism — how could site managers get involved with CPIC or otherwise benefit from its work?

Tobin: We welcome involvement and support. I recognize that many MPA managers may not feel like this is the best use of their time, in light of their multiple other responsibilities and the fact that developing investments will involve figuring out a lot of financial transactional details. But we hope to facilitate the introduction of investable conservation projects on the ground with financial organizations that are able to structure deals around those projects. That’s one of the next steps after the launch of the blueprints.

Basically, we’re looking to bring together two groups — finance and conservation — that don’t normally speak. If finance types sniff an attractive investment opportunity, they can be brought to the table.

We hope eventually to be that glue between investors and projects.

For more information:

Fabian Huwyler, Credit Suisse, Zurich, Switzerland. Email: fabian.huwyler@credit-suisse.com

Simon Dent, Althelia Ecosphere, London, UK. Email: simon.dent@althelia.com

John Tobin, Cornell University, US. Email: john.tobin@cornell.edu

---

In last month’s issue of MPA News…

How Financial Experts Are Partnering with Protected Areas to Launch New Revenue Programs

Library on MPA Financing

New report on sustainable finance options for MPAs

A new report from the US Marine Protected Area Federal Advisory Committee guides MPA managers on ways to pursue funding from sources outside their home institutions.

The report walks readers through 10 categories of external funding for MPAs — philanthropy, bond funding, mitigation, penalties and settlements, taxes, fees, corporate support, competitive government grants and funding, tourism-based support, and international partnerships — and describes the pros and cons of each. It also suggests steps that MPA managers can take to maximize their chances of identifying and securing external funding.

Although much of its information will be useful to the global MPA field, the report is US-focused. It includes several national-level recommendations for improving external funding of US MPAs, including through the development of a National Ocean Trust Fund.

The report *Protecting Our Marine Treasures: Sustainable Finance Options for U.S. Marine Protected Areas* is available here. A webinar featuring lessons from the report — co-hosted by MPA News, OpenChannels.org, and the National MPA Center — will be held on 9 February. To register for the webinar, click here.

Estimating the external costs, and value, of MPAs

The costs associated with MPAs are not borne only by management. There are also costs to stakeholders whose activities are impacted by an MPA’s regulations. This includes fishermen who must work elsewhere when their traditional fishing grounds are included in new no-take areas.

At the same time, MPAs can provide a range of significant benefits to stakeholders, including tourism and recreation; coastal protection; the provision of food; carbon sequestration; and biodiversity, among other benefits.

As the MPA community works toward Aichi Target 11 (10% global ocean coverage by 2020) and, eventually, a more ambitious 30% coverage goal (as agreed at the 2016 World Conservation Congress), there is a question of what impact these goals will have on costs and benefits of MPAs. Two relatively recent studies calculate the costs associated with MPAs, as well as the value of those MPAs to stakeholders. Both conclude that the value outweighs the costs:

- “The benefits to people of expanding Marine Protected Areas: Final report”, Brander et al. (2015), IVM Institute for Environmental Studies
- “Marine Reserve Targets to Sustain and Rebuild Unregulated Fisheries”, Krueck et al. (2017), PLOS Biology

---